

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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MEMORANDUM

TO: Quincy Retirement Board

FROM: Joseph E. Connarton, Executive Director

RE: Approval of Funding Schedule

DATE: February 27, 2017

This Commission is hereby furnishing you with approval of the revised funding schedule you recently adopted (copy enclosed). The schedule assumes payments are made on July 1 each fiscal year. The schedule is effective in FY17 (since the amount under the prior schedule was maintained in FY17) and is acceptable under Chapter 32.

Although we are approving this schedule, we would have preferred a schedule be adopted that more aggressively amortizes the unfunded actuarial liability. For the past few years, we have recommended that systems determine schedules to be fully funded by FY35. This provides more flexibility in the event of a market downturn. Since the schedule completes the amortization of unfunded liability in FY36, this could be accomplished with relatively small annual increases to the amounts shown in the schedule.

The assets used in the valuation include an account receivable from the Housing Authority of approximately \$4.7 million for appropriations made since the privatization of the Hospital. If this receivable were excluded from the valuation assets and amortized on level dollar basis to FY36, the annual increase in appropriation would be approximately \$450,000. Alternatively, the percentage change column in this schedule would need to be increased to meet the FY36 amortization of the unfunded liability. Our understanding is that this issue will, once again, be reviewed and hopefully resolved with the completion of this valuation.

The schedule reflects a decrease in the investment return assumption from 8.0% to 7.75%.

If you have any questions, please contact PERAC's Actuary, Jim Lamenzo, at (617) 666-4446, extension 921.

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Enc.



QUINCY RETIREMENT SYSTEM

FUNDING SCHEDULE with 3(8)(C) - 19 years: 8.75% two years, 7.75% two years, 5.40% thereafter
Generational Mortality projected from 2009, 7.75% Discount Rate, New Salary Scale

Fiscal Year	Normal Cost	Unfunded Liability*	Funding Amortization of UAAL	Net 3(8)(c) Payments	Schedule Contribution**	% Change
2018	4,760,225	382,778,716	23,423,473	177,107	28,360,805	8.75%
2019	4,950,634	387,205,274	25,714,634	177,107	30,842,375	8.75%
2020	5,148,659	407,662,517	27,829,787	177,107	33,155,554	7.50%
2021	5,354,606	409,269,767	30,110,507	177,107	35,642,220	7.50%
2022	5,568,790	416,232,584	31,821,003	177,107	37,566,900	5.40%
2023	5,791,542	414,203,479	33,626,864	177,107	39,595,513	5.40%
2024	6,023,203	410,071,302	35,533,360	177,107	41,733,670	5.40%
2025	6,264,131	403,564,633	37,546,050	177,107	43,987,289	5.40%
2026	6,514,697	394,385,023	39,670,798	177,107	46,362,602	5.40%
2027	6,775,284	382,204,577	41,913,791	177,107	48,866,183	5.40%
2028	7,046,296	366,663,322	44,281,553	177,107	51,504,956	5.40%
2029	7,328,148	347,366,356	46,780,969	177,107	54,286,224	5.40%
2030	7,621,274	323,880,754	49,419,299	177,107	57,217,680	5.40%
2031	7,926,125	295,732,217	52,204,203	177,107	60,307,435	5.40%
2032	8,243,170	262,401,435	55,143,760	177,107	63,564,036	5.40%
2033	8,572,896	223,320,145	58,246,491	177,107	66,996,494	5.40%
2034	8,915,812	177,866,863	61,521,386	177,107	70,614,305	5.40%
2035	9,272,445	125,362,251	64,977,926	177,107	74,427,478	5.40%
2036	9,643,342	65,064,111	65,064,111	177,107	74,884,561	0.61%
2037	10,029,076	-	-	177,107	10,206,183	-86.37%

Amortization of Unfunded Liability as of July 1, 2017

Year	Type	Original Amort. Amount	Percentage Increasing	Original # of Years	Current Amort. Amount	Years Remaining
2005	ERI - HA(2002)	27,716	4.50%	24	48,587	11
2005	ERI - City(2002)	317,193	4.50%	24	556,060	11
2006	ERI - City(2003)	404,362	4.50%	23	678,349	11
2006	ERI - HA(2003)	24,895	4.50%	23	41,763	11
2018	Fresh Start	N/A	N/A	19	N/A	19

* Includes recognition of the following asset gains/(losses) in Fiscal 2020 and 2022:

2020 (\$18,156,353)

2022 (\$7,688,482)

** Contribution is set to be the amount resulting from a 8.75% increase on the prior year contribution for the first two years, followed by two years of 7.5% increases, and 5.4% increases thereafter. The contribution increases by 0.61% in the final year.



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